BNY MELLON

Persherhing Securities International Limited

Pillar 3 Disclosure

December 31, 2017

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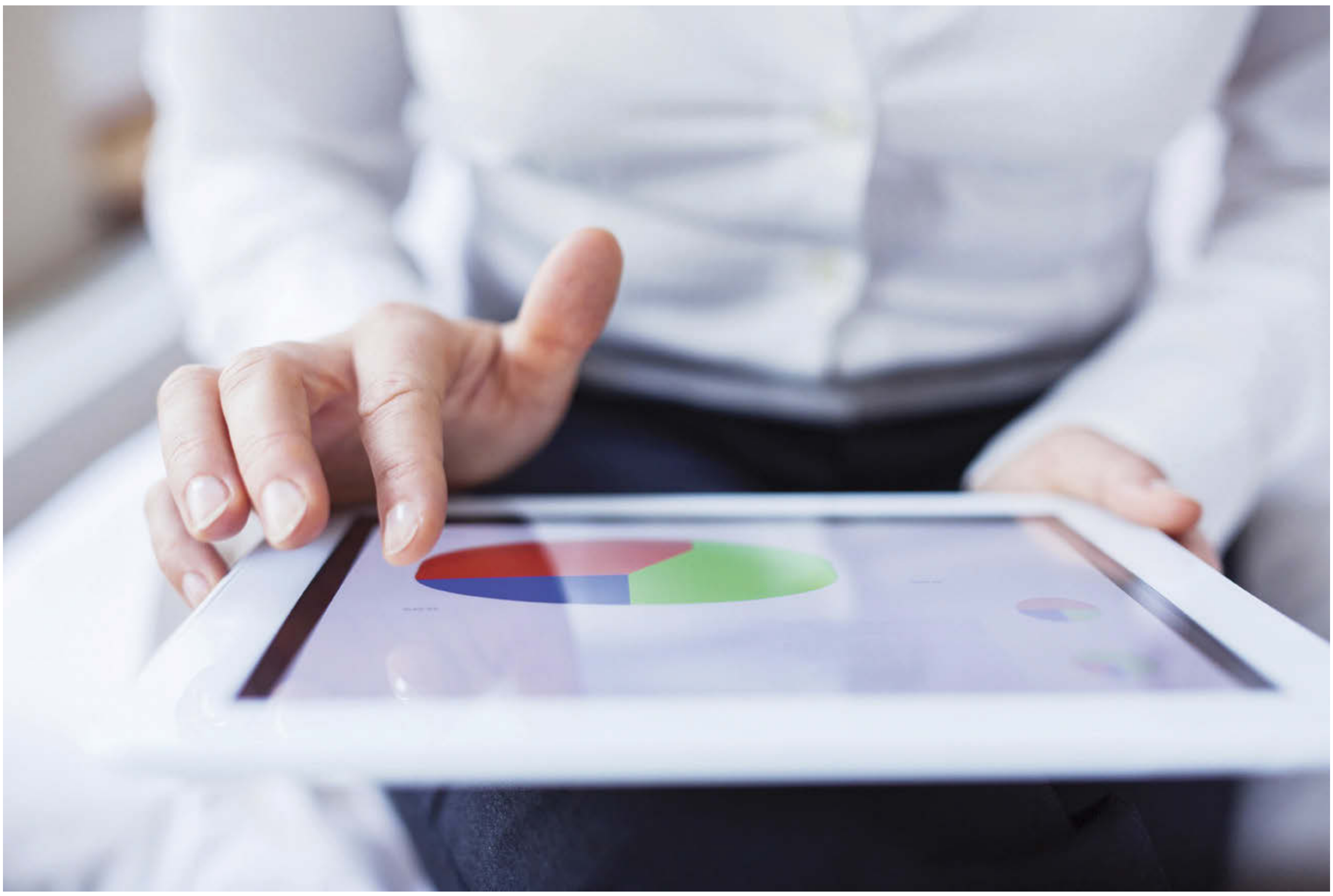
Any discrepancies between the totals and sums of components within the tables and graphs within this report are due to rounding.

Appendices



1 Scope of application

1.1 Disclosure policy

This document comprises the Pershing Securities International Limited (“PSIL” or “the Company”) Pillar 3 disclosures on capital and risk management at 31 December 2017. These Pillar 3 disclosures are published in accordance with the requirements of the Capital Requirements Regulation ("CRR") and the Capital Requirements Directive ("CRD") referred to together as CRD IV, which came into effect on 1 January 2014. CRD IV has the effect of implementing the international Basel III reforms of the Basel Committee on Banking Supervision within the European Union. The Pillar 3 disclosure requirements are contained in Part Eight of the CRR, in particular articles 431 to 455.

When assessing the appropriateness of these disclosures in the application of Article 431(3) in the CRR, Pershing Holdings (UK) Limited ("PHUK") has ensured adherence to the following principles of:

- Clarity
- Meaningfulness
- Consistency over time
- Comparability across institutions

These disclosures have been prepared for PSIL and information in this report has been prepared solely to meet the Pillar 3 disclosure requirements of the entity noted, and to provide certain specified information about capital and other risks and details about the management of those risks, and for no other purpose. These disclosures do not constitute any form of financial statement of the business nor do they constitute any form of contemporary or forward looking record or opinion of the business.

The following risk metrics present PSIL's risk components as at 31 December 2017. Please see page 9 for the full comprehensive list capital ratios.

Common Equity Tier 1 ratio

157.4%

2016: 156.6%

Common Equity Tier 1 capital

€28m

2016: €27m

Total risk weighted assets

€18m

2016: €17m

1.2 The Basel III framework

Basel III is the international banking accord intended to strengthen the measurement and monitoring of financial institutions’ capital. The Basel III framework was implemented in the European Union through the

Capital Requirements Directive (CRD) and establishes a more risk sensitive approach to capital management. It is comprised of three pillars

Pillar 1 - Minimum capital requirement:

Establishes rules for the calculation of minimum capital for credit risk, counterparty credit risk, market risk and operational risk

Pillar 2 - Supervisory review process:

Requires firms and supervisors to undertake an internal capital adequacy assessment process to determine whether the financial institution needs to hold additional capital against risks not adequately covered in Pillar 1 and to take action accordingly

Pillar 3 - Market discipline:

Complements the other two pillars and effects market discipline through public disclosure showing an institution's risk management policies, approach to capital management, its capital resources and an analysis of its credit risk exposures

Wherever possible and relevant, the PSIL Board of Directors ("the Board") will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP content.

1.3 Purpose of pillar 3

Pillar 3 requires the external publication of exposures and associated risk weighted assets and the approach to calculating capital requirements for the following risk and exposure types:

- Credit risk
- Counterparty credit risk
- Market risk
- Credit valuation risk
- Securitisation risk
- Operational risk

These Pillar 3 disclosures only focus on those risk and exposure types relevant to PSIL.

PSIL includes both quantitative and qualitative disclosures to show the relevant information and describe its approach to capital management, its capital resources and an analysis of its risk exposures. The disclosures also include, where appropriate, comparative figures for the prior year and an analysis of the more significant movements to provide greater insight into its approach to risk management.

For completeness, other risks that PSIL is exposed to, but are not covered above, are also discussed in Appendix 1.

1.4 Non-material, proprietary or confidential information

In accordance with CRD IV, the Board may omit one or more disclosures if the information provided is not regarded as material. The criteria for materiality used in these disclosures is that the PSIL will regard as material any information where its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Furthermore, the Board may omit one or more disclosures if the information provided is regarded as proprietary or confidential. Information is regarded as proprietary if disclosing it publicly would undermine the company's competitive position. It may include information on products or systems which, if shared with competitors, would render an institution's investment therein less valuable. In such circumstance, the Board will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure. In addition it will publish more general information about the subject matter of the disclosure requirement except where these are to be classified as confidential.

PSIL undertakes no obligation to revise or to update any forward looking or other statement contained within this report regardless of whether or not those statements are affected as a result of new information or future events.

1.5 Frequency and means of disclosure

Disclosure will be made annually based on calendar year end and will be published in conjunction with the preparation of the Annual Report and Financial Statements. PSIL will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy, and information about risk exposure and other items prone to rapid change. This policy will be periodically reassessed and updated in light of market developments associated with Pillar 3.

Disclosures are published on https://www.pershing.ie and https://www.bnymellon.com websites:

Pershing - Disclosures - Financial & Regulatory Disclosures

BNY Mellon - Investor Related - Pillar 3 Disclosures

1.6 Board approval

These disclosures were approved for publication by the Board on 21 September 2018. The Board has verified that the disclosures are consistent with formal policies adopted regarding production and validation and are satisfied with the adequacy and effectiveness of the risk management arrangements.

1.7 Key 2017 and subsequent events

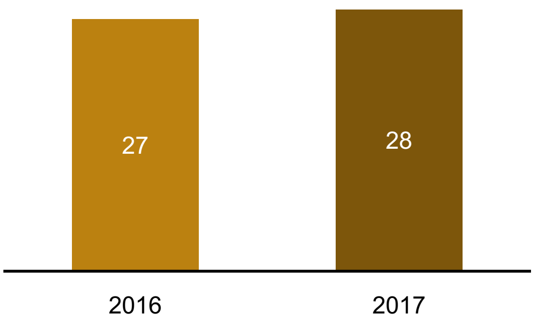
The Board periodically reviews the strategy of PSIL and the associated products and services it provides to clients. This generally takes place during the first quarter of each year following the yearly refresh of the legal entity strategy.

In relation to the assessment and monitoring of economic, political and regulatory risks, PSIL is continuing to evaluate the impact of the outcome of the Brexit referendum in relation to the UK's membership of the EU on business strategy and business risks in the short, medium and long term.

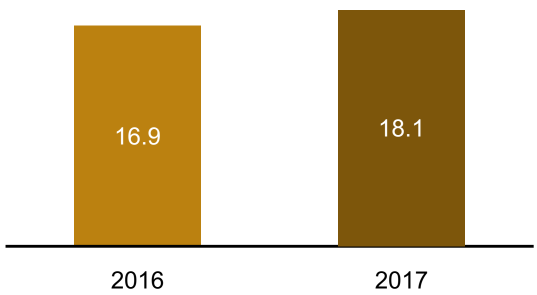
1.8 Key metrics

The following risk metrics reflect PSIL's risk profile:

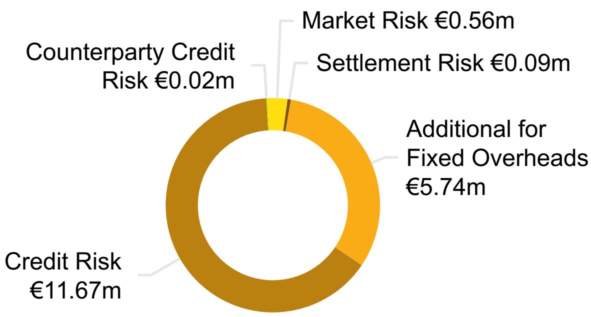
Evolution of CET1 Capital (€m)



Evolution of Risk Weighted Assets (€m)



Risk Exposure Amount (€18.1m) 2017



Capital Requirements (€1.4m) 2017

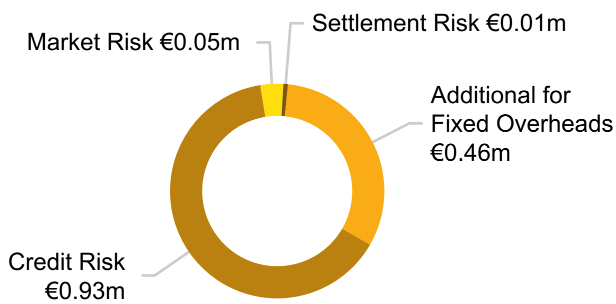


Table 1: Capital ratios

Own Funds	2017	2016
Available capital (€000s)		
Common Equity Tier 1 (CET1) capital	28,457	26,522
Tier 1 capital	28,457	26,522
Total capital	28,457	26,522
Risk-weighted assets (€000s)		
Total risk-weighted assets (RWA)	18,079	16,934
Risk-based capital ratios as a percentage of RWA		
CET1 ratio	157.4%	156.6%
Tier 1 ratio	157.4%	156.6%
Total capital ratio	157.4%	156.6%

1.9 Company description

Pershing Securities International Limited ("PSIL") is a private company incorporated and domiciled in the Republic of Ireland. PSIL's immediate parent undertaking is Pershing Limited ("PL"), which is, in turn a subsidiary of Pershing Holdings (UK) Limited ("PHUK"). PHUK is a parent financial holding company incorporated in the UK and is an operationally independent subsidiary of Pershing Group LLC which is, in turn a subsidiary of the Bank of New York Mellon Corporation (“BNY Mellon”).

Pershing Group LLC ("PGL") is engaged in broadly the same business activity as PSIL. As at 31 December 2017, PGL had $1.7 trillion in assets under custody.

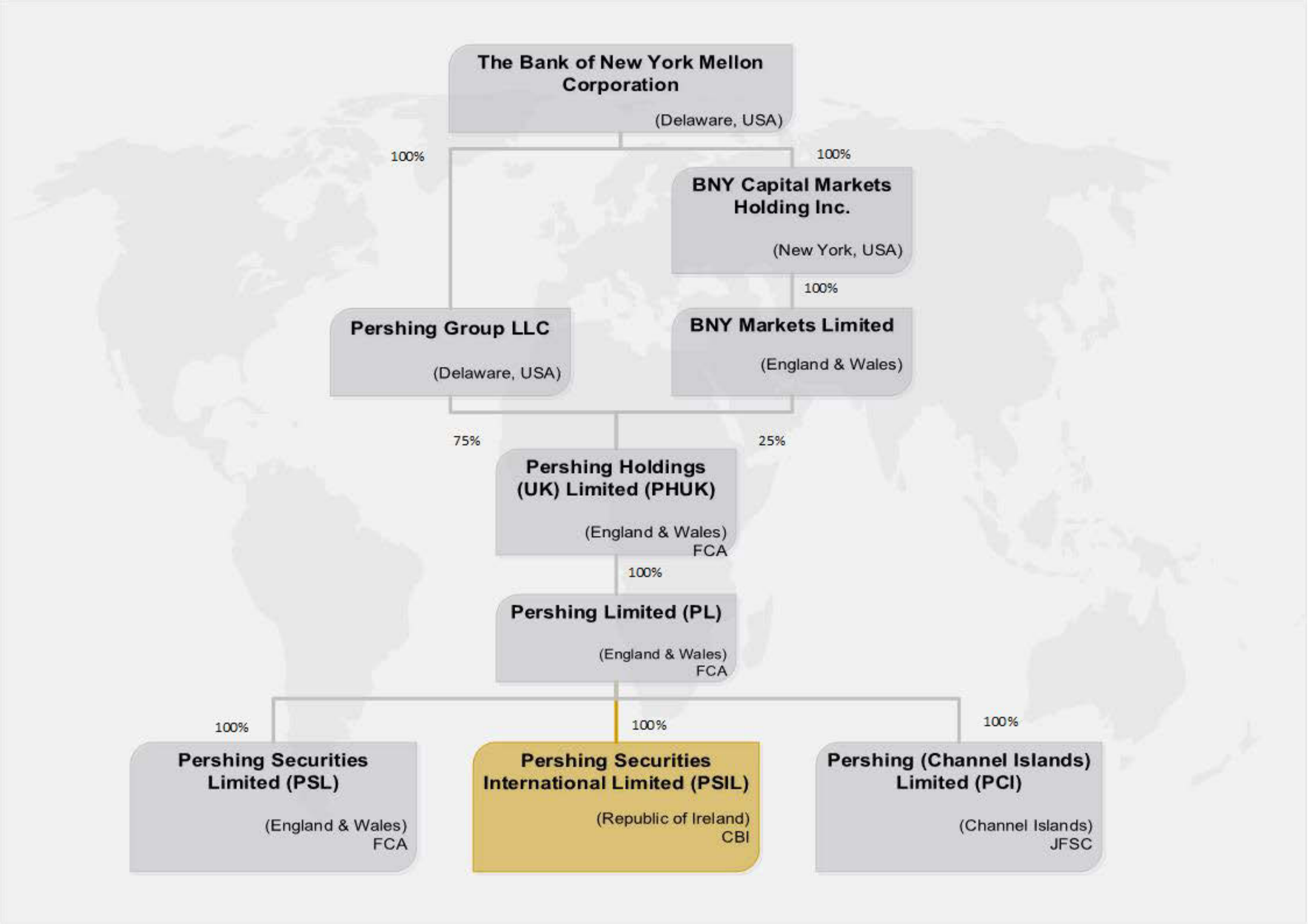
BNY Mellon Group ("BNY Mellon") is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As at 31 December 2017, BNY Mellon had $33.3 trillion in assets under custody and/or administration, and $1.9 trillion in assets under management. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com, follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

PSIL is a €125k minimum capital investment firm regulated by the Central Bank of Ireland ("CBI"), PSIL is required to operate under the CBI’s Basel III implementation rules, which include the disclosures provided in this document.

There is no current or foreseen material or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings.

The corporate structure of PSIL is illustrated in Figure 1.

Figure 1: PSIL structure at 31 December 2017



1.10 Core business lines

The principal activities of PSIL include the provision of a full range of clearing and settlement, investment administration, global custody and related services. PSIL functionality provides broker-dealers, asset managers, intermediary firms and financial institutions with a comprehensive range of services and solutions, including retail clearing, institutional global clearing, broker services, with execution services being facilitated through PSL.

The financial strength of PSIL's ultimate parent BNY Mellon, a G-SIFI (Global Systemically Important Financial Institution) is viewed as given PSIL a competitive advantage in the market place. The PSIL business model inherently carries less balance sheet risk than many traditional financial services firms.

PSIL's business model is split into two main market segments:

Institutional Broker Dealer Services (IBD)

PSIL provides a broad range of financial business solutions to broker-dealers.

Our multi-asset class solutions combine sophisticated front-end technology with flexible middle and back office capabilities. PSIL can manage and help our clients with the full spectrum of post-trade services, from execution through to settlement and clearing, specialising in Fixed Income and Equities across 40+ markets.

Our clients recognise us as an industry leader in directing them to operate more efficiently by affording them the facility to outsource any, or all, of their trade life-cycle. Our clients leverage upon our technology, strength and global stability and as such we have become a trusted and independent partner to many financial institutions.

We retain our leadership by investing heavily in our technology, so that our customers can be confident in the knowledge that the functionality and capability of our systems and services will continually meet their industry needs, whilst simultaneously addressing the ever changing regulatory landscape, thereby enabling them to focus on their core business proposition and future proof their corporate positioning.

Wealth and Adviser Solutions (WAS)

PSIL specialises in providing administration and custody services to wealth management professionals. Many of our clients prefer to outsource back and middle office functions to PSIL so they can focus on serving their existing clients and developing new business. Clients benefit from reduced operational costs, PSIL's expertise in meeting regulatory requirements and the knowledge of holding their end investors assets with the world's largest global custodian.

Clients include wealth managers, advisers and independent financial advisor ("IFA") consolidators that provide platform services for smaller IFA firms.

Many wealth management firms are large enough to self-clear their business and most will choose to do this. However, the increasing rate of technological change, transparency in pricing exerting a downward pressure on charges, and the increasing cost of regulatory demands can reduce profit margins and so there is a general industry trend for wealth management firms to consider other ways of working to reduce costs.

Contract basis

Clients contract on a basis appropriate to their business needs, either Model A, Model B, Wealth Advisor Solution ("WAS") or GlobalClear Model, as outlined below.

Model A

Under Model A client firms contract to outsource their settlement and clearing functions to PSIL. All settlement accounts are maintained in the name of the client and PSIL has no settlement obligation to any counterparty, except where it is providing a General Clearing Member ("GCM") service. Therefore, in all other cases, PSIL is not exposed to any credit and market risk relating to such activity. PSIL does however have credit exposure as a GCM, as it assumes an obligation to deliver cash and stock to the Central Counterparty ("CCP") and is reliant upon receiving cash or stock from the CCP or client firm.

Model B

The largest portion of PSIL's business is contracted on a Model B basis where we assume the settlement obligations of clients and it is PSIL's name not the clients in the market place. The main risk exposure from this activity relates to credit risk arising from clients failing to meet their corresponding obligations to PSIL. However the actual exposure is generally limited to any adverse mark to market movement in the underlying securities and is mitigated through various techniques and processes, including credit risk monitoring, rights over retained commissions earned by client firms and cash collateral deposits.

WAS Model

The WAS Model is very similar to Model B, but utilises less functionality than is available for Model B clients. Trades are routed exclusively to PSL for execution only where the underlying investor has cash or stock on their accounts. The single execution counterparty for the WAS client is PSL. Also, because trade instructions will not be accepted/dealt by PSL unless cash or stock is on the end investors accounts there is no requirement for a client cash deposit.

GlobalClear

The GlobalClear Model is designed as an intermediate model. The model utilises key Model A components where, for non-GCM trades, PSIL does not assume the settlement obligations of clients as we do under Model B. Clients support these trades on their own balance sheet and PSIL is under no obligation to clear such transactions. GlobalClear also utilises key Model B components where the client uses PSIL's network for clearing of GCM trades and PSIL's settlement network for settlement of GCM and non-GCM transactions. Clients also use PSIL for associated cash and network management.

2 Capital requirements

The following risk metrics present PSIL's risk components as at 31 December 2017.

Total pillar 1 risk exposure amount €18m

2016: €17m

Total pillar 1 capital requirement €1m

2016: €1m

PSIL has an Internal Capital Adequacy Assessment Process ("ICAAP") which defines the risks that PSIL is exposed to, and sets out the associated capital plan which aims to ensure that PSIL holds an appropriate amount of capital to support its business model, through the economic cycle and given a range of plausible but severe stress scenarios. The plan is reflective of PSIL's commitment to a low risk appetite, with no proprietary trading, coupled with a strong capital structure which gives the necessary confidence to our clients.

2.1 Calculating capital requirements

CRD IV allows for different approaches towards calculating capital requirements. PSIL has chosen to use the standardised approach where risk weights are based on the exposure class to which the exposure is assigned and its credit quality. These risk weights used to assess requirements against credit exposures are consistent across the industry.

PSIL is required to hold regulatory capital which will be the higher of the sum of credit risk and market risk capital requirement and the Fixed Overhead Requirement ("FOR").

Table 2: Capital requirements

This table shows the risk weighted assets using the standardised approach and their respective capital requirements

	Risk exposure amount		Capital requirements	
Type of risk (€000s)	**31-Dec-17**	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
Credit risk SA*	11,667	10,416	933	833
Counterparty credit risk SA*	17	18	1	1
Settlement risk	91	43	7	3
Market risk SA*	564	368	45	29
of which: Foreign exchange position risk	564	368	45	29
Total (credit risk and market risk)	**12,339**	**10,845**	**987**	**866**
Fixed overhead requirement	18,079	16,934	1,446	1,353

	Risk exposure amount		Capital requirements	
Type of risk (€000s)	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Pillar I requirement	**18,079**	**16,934**	**1,446**	**1,353**
Total capital			**28,457**	**26,522**
Surplus capital			27,010	25,169

* SA: Standardised approach

PSIL significantly exceeds the minimum capital ratios required to maintain a well-capitalised status and to ensure compliance with regulatory requirements at all times. PSIL sets the internal capital target levels higher than the minimum regulatory requirements to ensure there is a buffer which reflects balance sheet volatility. These ratios have been determined to be appropriate, sustainable and consistent with the capital objectives, business model, risk appetite and capital plan.

3 Risk management objectives and policies

PSIL adopts a prudent approach to all elements of risk to which it is exposed. It is risk averse by nature and manages its business activities in a manner consistent with the tolerances and limits defined within its risk appetite quantitative and qualitative measures. These measures and thresholds are built into its operating processes and governance structures.

Clients and other market participants need to have confidence that PSIL will remain strong and continue to deliver operational excellence and maintain an uninterrupted service throughout market cycles and especially during periods of market turbulence. PSIL is committed to maintaining a strong balance sheet and this philosophy is also consistent with PL, PHUK, PGL and BNY Mellon as a whole.

Whilst PSIL assumes less balance sheet risk than most financial services companies due to its focus on transaction processing, its business model does give rise to some risk as described below. As a consequence, Pershing has developed a risk management program that is designed to ensure that:

- Risk tolerances (limits) are in place to govern its risk-taking activities across all businesses and risk types
- Risk appetite principles are incorporated into its strategic decision making processes
- An appropriate risk framework is in place to identify, manage, monitor and report on risk within the governance structure
- Monitoring and reporting of key risk metrics to senior management and the Board takes place
- There is a capital planning process based on a stress testing programme

Risk statement

As part of a global investment company, risk is a fundamental characteristic of our business. As such, our approach to risk taking and how we consider risk relative to reward directly impacts our success. We have, therefore, established what we consider acceptable risk and set limits on the level and nature of the risk that we are willing and able to assume in achieving our strategic objectives and business plans. Our Risk Appetite Statement ("RAS") serves this purpose and guides our decision-making processes, including the manner by which we pursue our business strategy and the method by which we manage risk and determine whether our risk position is within our risk appetite.

The RAS outlined below describes both the nature of, and our tolerance for, the material risks that are inherent in our business. Because reputational risk typically arises as a consequence of another risk event, it is not explicitly described. However, maintaining a strong brand and reputation is fundamental to our ability to attract and retain clients. As such, we consider reputational impact as part of our overall risk management process. Similar to reputational risk, litigation risk is often an outcome of another risk event and is therefore not individually described. However, the financial services industry continues to face increasingly large adverse litigation outcomes that can substantively impact capital position. As such, litigation risk is a key consideration within our overall risk management framework.

The Board adopts a prudent approach to all elements of risk to which it is exposed. It is risk averse by nature and manages its business activities in a manner consistent with the tolerances and limits defined within it risk appetite quantitative and qualitative measures. These measures and thresholds are built into its operating processes and governance structures.

PSIL business model is centered upon the provision of a broad range of financial business solutions to broker-dealers, wealth managers, financial planners and advisers across EMEA. We provide sophisticated front-end technology and flexible middle office capabilities with settlement and custody services. These are supported by a robust regulatory and compliance framework with dedicated client asset experience and expertise.

PSIL's strategy is to strengthen its digital offering, whilst continuing to concentrate upon the delivery of services that are essential to the current marketplace that focuses upon operational and market efficient, advanced technology solutions and fully meets regulatory expectations.

PSIL is faced with complex statutory and regulatory requirements that are evolving and intensifying as new market and regulatory reforms are implemented. Select new reforms could impact our business activity and strategy creating both risk and opportunity that we seek to fully mitigate and leverage.

PSIL seeks to maintain a strong liquidity profile by actively managing its liquidity positions and ensuring that there are sufficient deposits and funding in place to meet timely payment and settlement obligations under both normal and stressed conditions.

PSIL seeks to minimise credit and market risk to the amount and type appropriate for it to accept in order to execute its principal activities. This is achieved through the monitoring and managing of established mark-to-market portfolio tolerances, tailored credit limits and collateral management.

Given the nature of the PSIL business, the potential for operational risk is inherent. While we seek to mitigate such risk through the application of a prudent control framework across three lines of defence, we recognise that a moderate degree of residual risk is intrinsic and forms part of our overall appetite.

Thresholds and Metrics

Risk Type	Qualitative Statement	Objective	Quantitative Metric	Risk Appetite (Amber Threshold)	Risk Appetite (Red Threshold)	Frequency of Measurement	Governance
Strategic	The development of PSIL's business objectives are sponsored by the CEO and approved by the Board.	Track the percentage change in pre-tax income on a rolling 4 - quarter basis.	Annualised percentage change in pre-tax income on a rolling 4 - quarter basis (if negative).	> 12%	> 24%	Quarterly	The CEO and Board provide oversight and monitoring of the business plans, objectives and strategic direction
Capital	The Board is committed to ensuring that the firm is appropriately capitalised at all times. The level of capital held by PSIL seeks to be in excess of the current regulatory requirements and at no times should fall below the levels approved by the Board.	Seeks to ensure that the firm remains capitalised at all times.	Number of times in the month Regulatory Capital (CET1, T1 and Total) fell below 120%.	N/A	> 0	Monitored Daily & Reported Monthly in Risk Appetite	Daily Compliance Officer, Monthly PSIL Mgmt., ICROC, and ALCO
		Regulatory Capital (CET1, T1 and Total) will not fall to a level below internally set capital target levels which are higher than the minimum capital requirements (regulatory and/or internally assessed) as set out within III-OP-7.115 Pershing Limited Consolidated Capital Management Policy.	Regulatory Capital Stress Test	< 140%	<120%	Annually	ICROC oversight of the capital stress testing programme conducted via ICAAP

Risk Type	Qualitative Statement	Objective	Quantitative Metric	Risk Appetite (Amber Threshold)	Risk Appetite (Red Threshold)	Frequency of Measurement	Governance
Market	PSIL seeks to minimise market risk to the amount and type appropriate for it to be appropriate in order to execute its principal activities. The management of market risk is correlated to the management of related credit risk. Given the broad range of products traded by PSIL clients and the varying levels of risk presented by each asset class PSIL has adopted a daily negative mark-to-market exposure measure for all open trades as an indication of risk appetite adjusted by the Tangible Net Worth of each client.	Net client Mark-to-Market exposure (top 3 counterparties) v 100% of the client's Tangible Net Worth (TNW) should not exceed €485k (£430k) in aggregate on a daily basis. Any breaches are mitigated as per actions set out in Pershing EMEA credit and market risk management policies.	Number of days in the month where net client MtM exposure (top 3 counterparties) v 100% of each client's TNW exceeded €485k (£430k) in aggregate.	N/A	> 0	Monitored Daily & Reported Monthly in Risk Appetite	Daily Risk Officer, Weekly report to PECAM, Monthly report to PSIL Mgmt. and ICROC
Credit	**Collateralised Lending risk** PSIL provides a limited amount of credit facilities in the form of margin finance and securities finance to a small number of clients.	Daily oversight of the active clients' margin excess/deficit via their daily Margin Statement as uploaded to the clients' FTP site.	Number of days in the month the clients Margin Statement was in deficit.	> 1	> 2	Monitored Daily, Weekly & Reported Monthly in Risk Appetite	Daily Risk Officer Weekly reported to PECAM Monthly report to PSIL Mgmt. and ICROC
	Provision of Credit Facilities risk Other than above, PSIL does not actively sell or provide credit facilities to clients except to the extent that this is required to facilitate the settlement of trades.	Daily oversight of active clients' MtM exposure as % of their TNW to seek to ensure remains is within agreed internal limits.	Average number of active clients whose daily MtM exposure (top 3 counterparties) exceeded 100% of their TNW.	> 0	> 1	Monitored Daily, Weekly & Reported Monthly in Risk Appetite	Daily Risk Officer Weekly reported to PECAM Monthly report to PSIL Mgmt. and ICROC
	Counterparty risk PSIL seeks to minimise its bank counterparty risk through selective and conservative placement process. PSIL seeks to minimise its counterparty credit risk through its prudent approval process and monitoring.	Establish and monitor client free money bank deposits and seek to ensure compliance with policy, risk appetite and regulatory requirement.	The number of PSIL Client Money Bank Accounts breaches of the PSIL Bank and Custodian Review Policy (III-OP-7.061).	N/A	> 0	Monitored Daily, Weekly & Reported Monthly in Risk Appetite	Daily Risk Officer Weekly reported to PECAM Monthly report to PSIL Mgmt. and ICROC

3.1 Risk governance

3.1.1 Board of Directors

The main duty and responsibility of the Board is to define the strategy of PSIL and to supervise the management of PSIL. Whilst acting autonomously and in accordance with its legal and regulatory requirements, the Board also aligns PSIL's strategy to that of its primary shareholder, Pershing Limited. The Board has overall responsibility for the establishment and maintenance of PSIL's risk appetite framework and for the approval of the risk appetite statement. The Board ensures that strategic business plans are consistent with the approved risk appetite.

The Board is also responsible for both the management and the oversight of risks, together with the quality and effectiveness of internal controls, but delegates risk management oversight to general management, supported by the risk management committees. It is also responsible for reviewing, challenging and approving all risk management processes including risk identification and assessment, stress testing and capital adequacy. The various control functions provide further support for the management of risk within the business.

The Board meets at least quarterly and the directors who served as of 31 December 2017 were:

Board member	Function at PSIL	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with PSIL (Y/N)
J Duffy	Non-executive Director						
N Harrington	Chief Executive Officer						
K Molony	Chair and Independent Non-executive Director						
G Towers	Executive Director	North Firth Management Limited	UK	Residents property management	Y	Director	N
J Wheatley	Non-executive Director						

Note: All Board members have no material interest of more than 1% in the share capital of the ultimate holding company or its subsidiaries

Note: P Mahon resigned as director effective from March 6, 2017

Note: E Canning appointed as director effective from April 25, 2018

3.1.2 Risk Committees

PSIL Risk Governance

The PSIL Board is the senior strategic and decision making body. The Board delegates day to day responsibility for managing the business to the Executive Committee of Pershing Limited (“ExCo”) according to approved plans, policies and risk appetite.

ExCo further delegates specific responsibilities to various committees and councils to provide an appropriate oversight and direction to various risk and regulatory processes and activities, including:

Pershing Risk Committee

The Pershing Risk Committee ("PRC") provides a senior management oversight to the overall risk framework and identified risk types that could potentially impact PL entities including PSIL. The PRC reports to ExCo and forms a central point for the oversight and management of risk and the escalation of significant risk issues and events to PSIL Senior Management, ICROC and the PSIL Board. Subsidiary risk committees and councils report to the PRC to ensure a consistent and effective reporting of risks and these include the Credit and Market Risk Committee, the Business Acceptance Committee, Asset and Liability Committee, and the Client Assets Council. PRC is chaired by the Chief Risk Officer.

Credit and Market Risk Committee

The Credit and Market Risk Committee ("PECAM") oversees the review of all credit and market risk issues associated with and impacting on business undertaken by PL entities including PSIL. The committee’s principal credit risk responsibility is to achieve and maintain an acceptable credit exposure to PSIL’s clients, as well as to market makers, custodians and banks. PECAM is chaired by the Director of Credit and Market Risk.

Asset and Liability Committee

The Asset and Liability Committee ("ALCO") is responsible for overseeing the asset and liability management activities of the balance sheet of PL entities including PSIL, and for ensuring compliance with all treasury related regulatory requirements.

ALCO is responsible for ensuring that the policy and guidance set through the BNY Mellon's Global ALCO and EMEA ALCO is understood and executed locally. This includes the strategy related to the investment portfolio, placements, interest rate risk, capital management and liquidity risk. ALCO is chaired by the Chief Financial Officer.

Irish Compliance, Risk and Oversight Committee

The Irish Compliance, Risk and Oversight Committee ("ICROC") assist the Board of PSIL and ExCo in overseeing PSIL's compliance with its regulatory, risk and legal obligations including adherence to applicable Irish laws, guidelines and notices effecting its operations and regulatory requirements and guidelines issued by the Central Bank of Ireland and with PL's compliance, risk and oversight policies. ICROC is chaired by PSIL Chief Executive Office.

Business Acceptance Committee

The Business Acceptance Committee ("BAC") is an integral part of the new business process and is responsible for the review and approval of all new clients, products/services and material changes to existing processes before they are executed or implemented and includes responsibility for the pricing of new client activity, products and services for all PL entities including PSIL. It is chaired by the PL Chief Executive Officer and includes representatives of all of the risk and control functions, as well as line support functions.

Audit Oversight Review Council

The Audit Oversight Review Council provides review, discussion and challenge of control related issues within all PL entities including PSIL. The Council's responsibilities include discussing emerging control risks, thematic control concerns or weaknesses and considering possible means to monitor, control or mitigate such exposures.

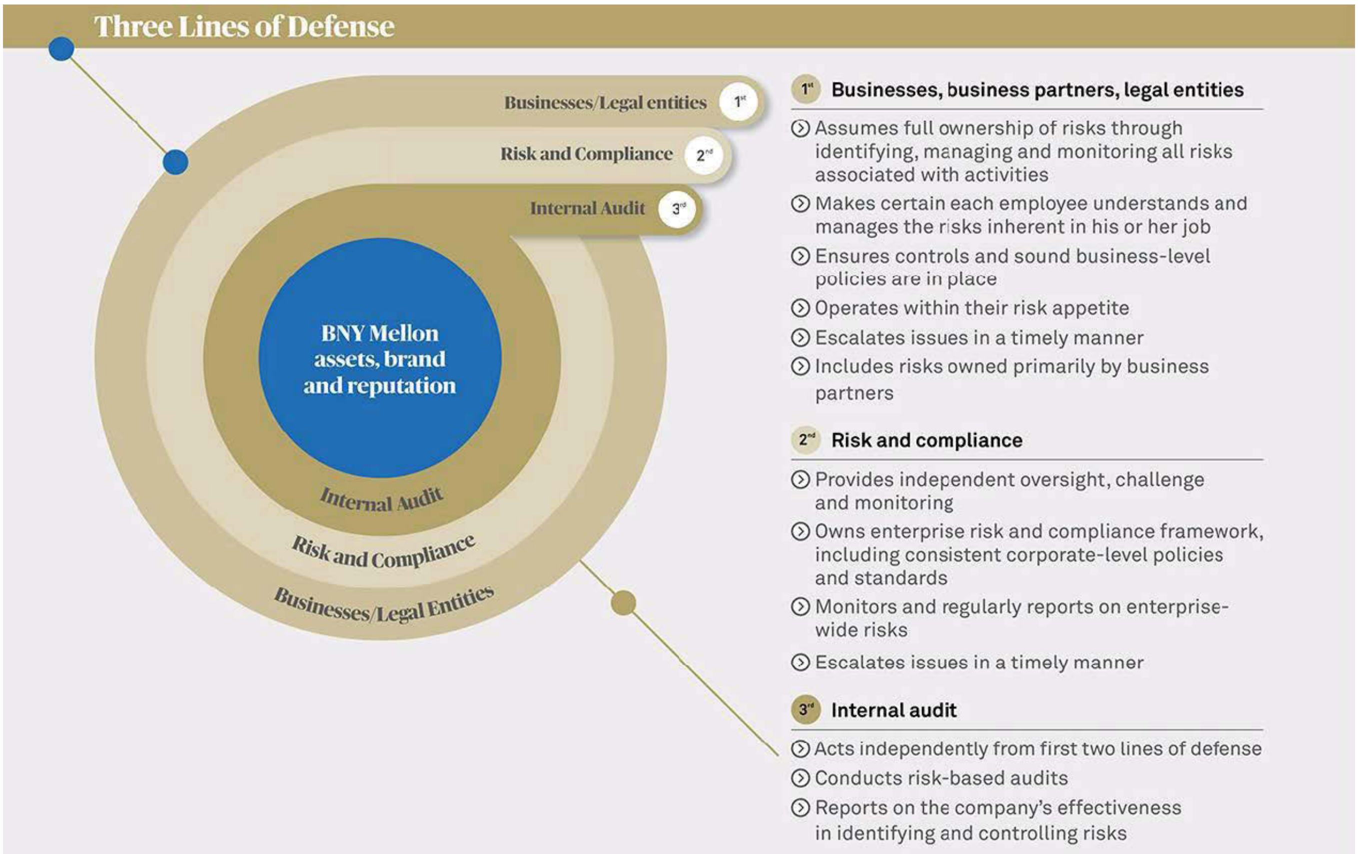
Client Asset Council

The Client Asset Council is responsible for the oversight and governance of all PL entities including PSIL and ensuring PSIL adherence to the CBI custody and client money rules. The council reports to the PRC to confirm the adequacy of systems and controls in place to ensure that the seven client asset core principles are fully adhered to in accordance with regulatory rules.

3.2 Risk management framework

Suitable policies and procedures have been adopted by PSIL in order to ensure an appropriate level of risk management is directed at the relevant element of the business. In line with global policy, PSIL has adopted the 'Three Lines of Defence' model in deploying its risk management framework (figure 2 below).

Figure 2: Managing Three Lines of Defence



3.3 Risk appetite

The Board adopts a prudent approach to all elements of risk to which it is exposed. It is risk averse by nature and manages its business activities in a manner consistent with the tolerances and limits defined within its risk appetite quantitative and qualitative measures. These measures and thresholds are built into its operating processes and governance structures. The risk appetite statement describes both the nature of, and tolerance for, the material risks that are inherent in PSIL's business.

3.4 Stress testing

Stress testing is undertaken at PSIL to monitor and quantify risk and ascertain that sufficient capital resources are held against risks on a forward-looking basis. The process reflects stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to PSIL's risk profile. Scenarios are derived from current, emerging, and plausible future risks and strategy, and reviewed, discussed and agreed by ICROC, PRC, ExCo and the Board.

4 Credit risk

The following risk metrics present PSIL's risk components as at 31 December 2017.

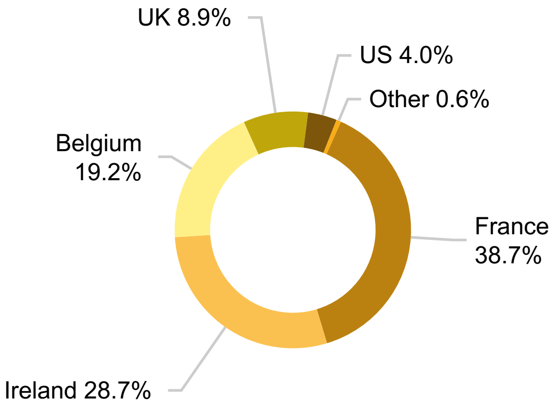
Total net credit exposure amount €29m

2016: €25m

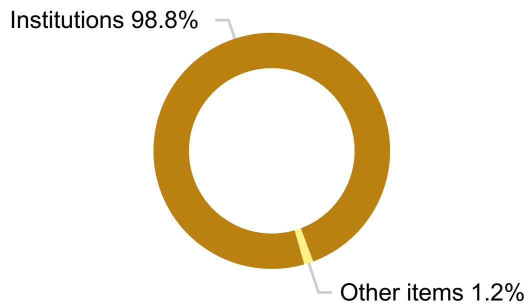
Total on and off-balance sheet exposures €29m

2016: €30m

Standardised credit exposure by country 2017



Standardised credit exposure by class 2017



4.1 Definition and identification

Credit risk is defined as the risk that an obligor will fail to repay a loan or otherwise meet a contractual obligation as and when it falls due. Understanding, identifying and managing credit risk is a central element of PSIL's successful risk management approach.

On balance sheet credit risk covers default risk for loans, commitments, securities, receivables and other assets where the realisation of the value of the asset is dependent on the counterparty's ability and willingness to repay its contractual obligations.

Due to the nature of PSIL's business as a provider of clearing and settlement services, credit risk mainly arises from the risk of loss in the event that a client, underlying client or market counterparty fails to meet its contractual obligations to pay for a trade, or to deliver securities for sale. However, the legal structure of the clearing agreements provides PSIL with the right to set-off any indebtedness of underlying clients against any credit balance in the name of the same underlying client. PSIL also has recourse to securities and cash as collateral and indemnities from client firms in respect of any underlying clients. Consequently, the residual credit risk (i.e. post-mitigation) will devolve to market risk, as the exposure in such cases is the movement in the underlying financial instruments and foreign currency prices. In addition, PSIL also requires most clients to place a security deposit with PSIL to cover this potential mark to market exposure.

Credit risk also arises from the non-payment of other receivables, cash at bank, loans to third parties, investment securities and outstanding client invoices and loans to third parties.

4.2 Management of credit risk

PSIL manages credit risk exposure by a two-stage process:

1) Setting minimum thresholds for the type of client acceptable to PSIL in terms of tangible net worth and business profile, including:

    - The type of business to be conducted through PSIL (e.g. retail vs. institutional; agency/ matched principal vs. proprietary trading / market making)
    - Markets and financial instruments in which the client can trade
    - Any special conditions clients are subject to (e.g. cash on account)

Obtaining credit approval for a particular client is the primary responsibility of the business as the first line of defence alongside guidance and oversight from Credit Risk as the second line of defence. Any new relationship requires approval from the Business Acceptance Committee.

2) Monitoring all exposure (both pre-settlement and post-settlement) on a daily basis against various limits for its clients, as follows:

    - Trade limit (set per client following analysis of the financial strength, management expertise, nature of business and expected or historical peak and average exposure levels)
    - Gross exposure limit (calculated with reference to the security deposit and tangible net worth of the client and utilised as the higher of total purchases or total sales)
    - Negative mark to market exposure

It should also be noted that the metrics supporting the management of credit risk are monitored on a daily basis and reported to senior management. Breaches are reported to senior management which may lead to management action such as requesting additional collateral, or requiring the client to inject additional capital into the business.

4.3 Governance

Governance of credit risk oversight as a second line of defence function is described and controlled through credit risk policies and day-to-day procedures as follows:

- Credit Risk Policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and requires reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or senior legal entity approval depending on the type of event
- Approvals for excesses are controlled using a matrix of credit risk approval authorities held within the Credit Risk Policy, each Credit Risk Officer has his/her own individual delegated approval authority granted by the Director of Credit and Market Risk. He/she must act within those limits when making approvals. If an excess is beyond the officer's approval limit, it is escalated to a more senior officer as per the applicable Credit Risk Policy. The outsourcing of credit responsibility to Credit Risk is through the Board approved Credit Risk Policy

- Daily exposure reports are reviewed and signed by a senior member of the Credit Risk Department. The Credit & Market Risk Committee reviews the top exposure items for each client and counterparty weekly; monthly reports are reviewed by ICROC and PRC within the overall framework set by the PSIL Risk Appetite Statement. At each of these monitoring and review stages action points are recorded to follow up on breaches.

4.4 Analysis of credit risk

Credit risk exposure is computed under the standardised approach which uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies. The following credit risk exposure tables summarise the credit exposure for PSIL in accordance with the CRD IV requirements.

The definitions below are used in the following tables:

- **Exposure at Default (EAD)** is defined as the amount expected to be outstanding, after any Credit Risk Mitigation, if and when a counterparty defaults. Exposure reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon. As such, exposure in this context may differ from statutory IFRS accounting balance sheet carrying values
- **Credit Conversion Factor (CCF)** converts the amount of a free credit line and other off-balance-sheet transactions (with the exception of derivatives) to an EAD amount. This function is used to calculate the exposure at default
- **Credit Risk Mitigation (CRM)** is defined as a technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection
- **Geographic area** is based on the country location for the counterparty
- **Residual maturity** is defined as the period outstanding from the reporting date to the maturity or end date of an exposure

Table 3: Standardised credit exposure by exposure class

The following tables show the credit risk for post CRM techniques using the standardised approach by exposure class at 31 December 2017.

Exposure class (€000s)	Net value at the end of the period	Average net value over the period
Corporates	44	19
Institutions	28,780	32,958
Other items	363	337
Public sector entities	—	119
Total	**29,187**	**33,433**

Table 4: Standardised credit exposure by country

This table shows the post CRM exposure by class and by geographic area of the counterparty.

31 December 2017 (€000s)	France	Ireland	Belgium	UK	US	Other	Total
Corporates	—	44	—	—	—	—	44
Institutions	11,286	7,965	5,603	2,585	1,155	187	28,780
Other items	—	363	—	—	—	—	363
Public sector entities	—	—	—	—	—	—	—
Total	**11,286**	**8,372**	**5,603**	**2,585**	**1,155**	**187**	**29,187**

31 December 2016 (€000s)	Belgium	Ireland	UK	Canada	Netherlands	Other	Total
Corporates	—	3	—	—	—	—	3
Institutions	9,506	8,176	6,473	42	31	232	24,460
Other items	—	325	—	—	—	—	325
Public sector entities	—	96	—	—	—	—	96
Total	**9,506**	**8,600**	**6,473**	**42**	**31**	**232**	**24,884**

Table 5: Standardised post mitigated credit exposures by counterparty type

This table shows the credit exposure post CRM classified by class and by counterparty type.

At 31 December 2017 (€000s)	General governments	Credit institutions	Other financial corporations	Various balance sheet Items	Total
Corporates	—	—	44	—	44
Institutions	—	28,780	—	—	28,780
Other items	—	—	—	363	363
Public sector entities	—	—	—	—	—
Total	**—**	**28,780**	**44**	**363**	**29,187**

Table 6: Standardised credit exposure by residual maturity

This table shows the exposure post credit risk mitigation, classified by credit exposure class and residual maturity.

At 31 December 2017 (€000s)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Corporates	44	—	—	—	—	44
Institutions	28,780	—	—	—	—	28,780
Other items	363	—	—	—	—	363
Public sector entities	—	—	—	—	—	—
Total	29,187	—	—	—	—	29,187

4.5 Analysis of past due and impaired exposures

An aspect of credit risk management relates to problem debt management, which entails early problem identification through to litigation and recovery of cash where there is no realistic potential for rehabilitation.

The following tables provide an analysis of past due and impaired exposures using the following definitions:

- **Past due** exposure is when a counterparty has failed to make a payment when contractually due
- **Impaired exposure** is when the entity does not expect to collect all the contractual cash flows when they are due

As at 31 December 2017, PSIL had no material impaired assets for which a specific or general provision was required. There were no material assets past due greater than 90 days. PSIL did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year.

Table 7: Credit quality of exposures by counterparty type

This table provides a comprehensive picture of the credit quality of on- and off-balance sheet exposures.

31 December 2017 (€000s)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
General governments	—	—	—	—	—	—	—
Credit institutions	—	28,780	—	—	—	—	28,780
Other financial corporations	—	44	—	—	—	—	44
Various balance sheet Items	—	363	—	—	—	—	363
Total	**—**	**29,187**	**—**	**—**	**—**	**—**	**29,187**

31 December 2016 (€000s)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
General governments	—	96	—	—	—	—	96
Credit institutions	—	27,552	—	3,092	—	3,092	24,460
Other financial corporations	—	9	—	6	—	6	3
Various balance sheet Items	—	2,465	—	2,140	—	2,140	325
Total	**—**	**30,122**	**—**	**5,238**	**—**	**5,238**	**24,884**

Table 8: Credit quality of exposures by industry

This table provides a comprehensive picture of the credit quality of on- and off-balance sheet exposures by industry.

31 December 2017 (€000s)	Exposures		Credit risk adjustments				
	Defaulted	Non-defaulted	Specific	General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Financial and insurance activities	—	29,187	—	—	—	—	29,187
Total	**—**	**29,187**	**—**	**—**	**—**	**—**	**29,187**

31 December 2016 (€000s)	Exposures		Credit risk adjustments				
	Defaulted	Non-defaulted	Specific	General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Financial and insurance activities	—	30,122	—	5,238	—	5,238	24,884
Total	**—**	**30,122**	**—**	**5,238**	**—**	**5,238**	**24,884**

Table 9: Credit quality of exposures by geographical breakdown

This table shows an analysis of past due, impaired exposures and allowances by country using the IFRS methodology.

31 December 2017 (€000s)	Exposures		Credit risk adjustments				
	Defaulted	Non-defaulted	Specific	General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
France	—	11,286	—	—	—	—	11,286
Ireland	—	8,456	—	—	—	—	8,456
Belgium	—	5,603	—	—	—	—	5,603
United Kingdom	—	2,585	—	—	—	—	2,585
United States	—	1,155	—	—	—	—	1,155
Other	—	103	—	—	—	—	103
Total	**—**	**29,187**	**—**	**—**	**—**	**—**	**29,187**

31 December 2016 (€000s)	Exposures		Credit risk adjustments				
	Defaulted	Non-defaulted	Specific	General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Belgium	—	9,506	—	—	—	—	9,506
Ireland	—	13,783	—	5,185	—	5,185	8,598
UK	—	6,511	—	38	—	38	6,473

31 December 2016 (€000s)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Canada	—	42	—	1	—	1	41
The Netherlands	—	37	—	5	—	5	32
Other	—	242	—	8	—	8	234
Total	**—**	**30,121**	**—**	**5,237**	**—**	**5,237**	**24,884**

5 Credit risk mitigation

The following risk metrics present PSIL's risk components as at 31 December 2017.

Total gross credit risk exposures (includes on- and off- balance sheet amounts)	€29m 2016: €30m
Total gross credit risk exposures secured (includes on- and off- balance sheet amounts)	€0m 2016: €5m

PSIL mitigates credit risk through a variety of strategies including obtaining cash collateral.

5.1 Collateral valuation and management

PSIL can receive collateral from clients which can include guarantees, cash or eligible debt securities and has the ability to call on this collateral in the event of a default by the client.

Collateral amounts are adjusted on a daily basis to reflect market activity to ensure they continue to achieve an appropriate mitigation of risk value. Securities are marked-to-market daily and haircuts are applied to protect PSIL in the event of the value of the collateral suddenly reducing in value due to adverse market conditions. Customer agreements can include requirements for the provision of additional collateral should valuations decline.

5.2 Wrong-way risk

PSIL takes particular care to ensure that wrong-way risk between collateral and exposures does not exist. Wrong-way risk results when the exposure to the client or market counterparty increases when the counterparty's credit quality deteriorates.

5.3 Credit risk concentration

PSIL is exposed to credit risk concentration through exchanges and central counterparties, correspondent banks and issuers of securities. These risks are managed and mitigated through the establishment of various limits, on-going monitoring of exposure, collateral and contractual obligations upon the client, including margin calls.

The number of counterparties PSIL is willing to place funds with is limited and hence, concentration risk can arise from cash balances placed with a relatively small number of counterparties. To mitigate this, exposures are only placed on a very short-term basis, generally overnight (maximum of 180 days), ensuring ability to withdraw funds in a timely manner.

Table 10: Credit risk mitigation techniques - overview

31 December 2017 (€000s)	Exposures unsecured: carrying amount	Total exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Corporates	44	—	—	—	—
Institutions	28,864	—	—	—	—
Other items	363	—	—	—	—
Public sector entities	—	—	—	—	—
Retail	—	—	—	—	—
Total exposures	**29,271**	**—**	**—**	**—**	**—**
Of which defaulted	—	—	—	—	—

Financial and other eligible collateral can include cash, debt securities, or equities, and their values are taken into account for the purposes of calculating the risk weighted exposure amount of the underlying exposure.

There are no exposures covered by guarantees or credit derivatives at 31 December 2017. Using guarantees has the effect of replacing the risk weight of the underling exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.

6 External credit assessment institutions (ECAIs)

The following risk metrics present PSIL's risk components as at 31 December 2017.

Total risk weighted assets €29m

2016: €25m

Total credit risk exposure post CCF and CRM €29m

2016: €25m

The standardised approach requires PSIL to use risk assessments prepared by External Credit Assessment Institutions (ECAIs) to determine the risk weightings applied to rated counterparties. PSIL uses S&P Global Ratings, Moody's and Fitch Ratings as its chosen ECAIs. There has been no change to these ECAIs during the year.

Table 11: Mapping of ECAIs credit assessments to credit quality steps

PSIL uses Credit Quality Steps (CQS) to calculate the RWAs associated with credit risk exposures. Each CQS maps to the ECAIs' credit assessments.

This table shows the mapping of PSIL's nominated ECAIs' credit assessments to the credit quality steps.

Credit quality steps	S&P Global Ratings	Moody's	Fitch Ratings
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

Table 12: Credit quality steps and risk weights

This table shows the prescribed risk weights associated with the credit quality steps by exposure class.

	Risk Weight					
Exposure class	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6
Central governments and central banks	0%	20%	50%	100%	100%	150%
Covered Bonds	10%	20%	20%	0.5	50%	100%
Institutions maturity <= 3 months	20%	20%	20%	50%	50%	150%
Institutions maturity > 3 months	20%	50%	50%	100%	100%	150%
Public sector entities	20%	50%	100%	100%	100%	150%
Corporates	20%	50%	100%	100%	150%	150%

Exposure class	Risk Weight CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6
Securitisation	20%	50%	100%	350%	1250%	1250%
Institutions and corporates with short-term credit assessment	20%	50%	100%	150%	150%	150%
Collective investment undertakings (CIU's)	20%	50%	100%	100%	150%	150%
Unrated institutions	20%	50%	100%	100%	100%	150%

The risk systems maintain the credit quality step mappings to customers in their database. When calculating the risk weighted value of an exposure using the ECAI risk assessments, the system will identify the customer, the maturity of the transaction and the relevant credit quality step to determine the risk weight percentage.

Table 13: Credit risk exposure and Credit Risk Mitigation (CRM) effects

This table shows the effect of the standardised approach on the calculation of capital requirements for PSIL. Risk weighted exposure amount (RWA) density provides a synthetic metric on the riskiness of each portfolio.

Exposure classes at 31 December 2017 (€000s)	Exposures before CCF and CRM balance sheet amount On-	Off-	Exposures post CCF and CRM balance sheet amount On-	Off-	RWA	RWA density
Corporates	44	—	44	—	44	100%
Institutions	28,780	—	28,780	—	28,780	39%
Other items	363	—	363	—	363	100%
Total	**29,187**	**—**	**29,187**	**—**	**29,187**	**40%**

Table 14: Credit risk exposure by asset class and risk weight post CCF and CRM

This table shows the breakdown of exposures after the application of both conversion factors and risk mitigation techniques.

Exposure class at 31 December 2017 (€000s)	—%	20%	50%	75%	100%	Total
Corporates	—	—	—	—	44	44
Institutions	—	20,414	2,378	—	5,988	28,780
Other items	—	—	—	—	363	363
Total	**—**	**20,414**	**2,378**	**—**	**6,395**	**29,187**

Exposure class at 31 December 2016 (€000s)	—%	20%	50%	75%	100%	Total
Corporates	—	—	—	—	3	3
Institutions	—	17,542	715	—	6,203	24,460
Other items	—	—	—	—	325	325
Public sector entities	—	96	—	—	—	96
Total	**—**	**17,638**	**715**	**—**	**6,531**	**24,884**

7 Counterparty credit risk

The following risk metrics present PSIL's risk components as at 31 December 2017.

Counterparty credit risk exposure €0.08m

2016: €0.09m

Risk weighted assets €0.02m

2016: €0.02m

Counterparty credit risk is the risk of a counterparty to a contract (recorded in either the trading book or non-trading book) defaulting before fulfilment of cash-flow obligations. The size of the potential loss could be reduced by the application of netting or collateral agreements with the counterparty.

Table 15: Analysis of the counterparty credit risk (CCR) exposure by approach

This table shows a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

Counterparty Credit Risk (€000s)		
Derivatives and Long Settled trades - Mark to Market method	**31 December 2017**	**31 December 2016**
Gross positive fair value of contracts	—	—
Potential future credit exposure	—	—
Netting benefits	—	—
Net current credit exposure	84	211
Collateral held notional value	—	127
Exposure and Collateral Adjustments	—	(8)
Net derivatives / long settled trades credit exposure	**84**	**92**
Risk Weighted Assets	17	18
SFT - under financial collateral comprehensive method	**31 December 2017**	**31 December 2016**
Net current credit exposure	—	—
Risk Weighted Assets	—	—
Counterparty Credit Risk exposure	**84**	**92**

Note: SFT (Securities Financing Transactions)

7.1 Credit valuation adjustment

The credit valuation adjustment is the capital charge for potential mark to market losses due to the credit quality deterioration of a counterparty. The standardised approach uses the external credit rating of each counterparty and includes the effective maturity and exposure at default.

As at 31 December 2017, PSIL had no exposure subject to the credit valuation adjustment capital charge.

Table 16: CCR exposures by exposure class and risk weight

This table shows the breakdown of counterparty credit risk exposures by exposure class and risk weight attributed according to the standardised approach.

Exposure class 31 December 2017 (€000s)	0%	20%	75%	100%	Other	Total
Institutions	—	84	—	—	—	84
Other items	—	—	—	—	—	—
Total	**—**	**84**	**—**	**—**	**—**	**84**

Exposure class 31 December 2016 (€000s)	0%	20%	75%	100%	Other	Total
Institutions	—	92	—	—	—	92
Other items	—	—	—	—	—	—
Total	**—**	**92**	**—**	**—**	**—**	**92**

Table 17: Impact of netting and collateral held on exposure values

This table provides an overview of the collateral held on exposures.

31 December 2017 (€000s)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives by underlying	84		84	—	84
Securities Financing Transactions	—		—	—	—
Cross-product netting	—		—	—	—
Total	**84**	**—**	**84**	**—**	**84**

8 Asset encumbrance

The following risk metrics present PSIL's risk components as at 31 December 2017.

Carrying amount - encumbered assets €0.1m

2016: €0.1m

Carrying amount - unencumbered assets €39.1m

2016: €35.2m

Table 18: Encumbered assets

31 December 2017 (€000s)	Encumbered assets: Carrying amount	Encumbered assets: of which notionally eligible EHQLA and HQLA	Encumbered assets: Fair value	Encumbered assets: of which notionally eligible EHQLA and HQLA	Unencumbered assets: Carrying amount	Unencumbered assets: of which EHQLA and HQLA	Unencumbered assets: Fair value	Unencumbered assets: of which EHQLA and HQLA
Assets of the reporting institution	**100**	**—**			**39,129**	**—**		
Loans on demand	—	—			27,823	—		
Loans & advances other than loans on demand	100	—	—	—	—	—	—	—
Other assets	—	—			11,306	—		

Note: HQLA (High Quality Liquid Assets) / EHQLA (Extremely High Quality Liquid Assets)

Table 19: Collateral encumbrance

31 December 2017 (€000s)	Fair value of encumbered collateral received or own debt securities issued	of which notionally elligible EHQLA and HQLA	Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
Total assets, collateral received & own debt securities issued	**100**	**—**		

Table 20: Sources of encumbrance

31 December 2017 (€000s)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**100**	**100**
Deposits	100	100
Collateralised deposits other than repurchase agreements	100	100
Total sources of encumbrance	**100**	**100**

Note: ABS (Asset-Backed Securities)

9 Market risk

The following risk metrics present PSIL's risk components as at 31 December 2017.

Market risk weighted assets €0.56m

2016: €0.37m

Market risk capital requirements €0.05m

2016: €0.03m

Market risk is the risk of adverse change to the economic condition of PSIL resulting from variations in prices, rates, implied volatilities, or correlations of market risk factors. Market risk factors include but are not limited to interest rates, foreign exchange rates, equity prices, credit spreads, prepayment rates, and commodity prices. All open positions are closely monitored.

By simply executing orders on behalf of its clients, the PSIL business model does not result in any proprietary trading or high risk investments. However it does act as a risk-less principal between its clients and the market which results from time to time in a small position, including in foreign exchange, and which is traded out on an expedited basis. The PSIL Credit and Market Risk Committee set small overall limits for foreign exchange positions resulting from client-generated exposure.

PSIL's exposure to market risk mainly arises from foreign exchange (FX) risk arising from revenue flows in foreign (non-Euro) currencies.

Table 21: Market risk - risk weighted assets and capital required

This table shows components of the capital requirements and risk weighted assets for market risk using the standardised approach.

Position risk components 31 December 2017 (€000s)	Risk Weighted Assets	Capital requirements
Foreign exchange risk	564	45
Total	**564**	**45**

10 Interest rate risk

Interest rate risk (IRR) is the risk associated with changes in interest rates that affect net interest income (NII) from interest-earning assets and interest-paying liabilities. IRR exposure in the non-trading book arises from on and off-balance sheet assets and liabilities and changes with movements in domestic and foreign interest rates.

PSIL does not have any material exposure to Interest Rate Risk in its non-trading book.

11 Operational risk

Operational risk is defined as being the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events (including legal risk, but excluding strategic risk). However, the PSIL Operational Risk Policy further extends this definition to include any operational risk to achieving the business objectives of PSIL and causing financial loss, regulatory action or reputational damage to the standing of PSIL.

The PSIL business model is primarily designed to provide clearing, settlement and custody services to a variety of financial institutions. Within the PSIL business model operational risk may arise from errors in transaction processing, breaches of compliance requirements, internal or external fraud, business disruption due to system failures, execution, delivery and process management failures or other events. Operational risk can also arise from potential legal or regulatory actions caused by non-compliance with regulatory requirements, prudential ethical standards or contractual obligations.

11.1 Operational risk management framework

PSIL seeks to manage the inherent risk within its operational processes through an Operational Risk Management Framework ("ORMF") that is embedded into normal business processes to manage.

PSIL's ORMF relies on a culture of risk awareness, a clear governance structure and, operational risk policies and procedures, which define the roles and responsibilities of the First, Second and Third line of Defence. These policies and procedures complement each other to ensure that the operational risks of the business are effectively identified, managed, mitigated (where possible) and reported to the appropriate governance committees on a monthly basis.

The PSIL ORMF has been designed to integrate with the wider group Risk Management Framework and provide consistent capture, management and governance of operational risks. It is aligned around the elements of the risk management cycle (Identify, Measure, Manage and Report) and includes the requirements of good governance and capital planning as key elements.

12 Remuneration

12.1 Governance

The governance of remuneration matters for BNY Mellon and its group entities, including Pershing, is overseen by four committees, each with separate responsibilities in respect of remuneration as summarised below:

Human Resources and Compensation Committee of BNY Mellon ("HRCC") is responsible for overseeing BNY Mellon's employee compensation and benefits policies and programmes globally. It reviews and is responsible for the compensation plans, policies and programs in which the senior officers participate and has general oversight for the other incentive, retirement, welfare and equity arrangements for all employees globally. The members of the HRCC are non-executive members of the BNY Mellon's Board of Directors, acting on behalf of the BNY Mellon Board of Directors.

Compensation Oversight Committee of BNY Mellon ("COC") is responsible for providing formal input to the remuneration decision-making process (including through the review of remuneration policies for BNY Mellon), which includes reviewing and approving both remuneration arrangements annually and any significant changes proposed to remuneration arrangements (including termination of any arrangement) and advising the HRCC of any remuneration-related issues. The members of the COC are members of management of BNY Mellon, including the Chief Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer and the Chief Enterprise Risk Officer.

EMEA Remuneration Governance Committee ("ERGC") is a regional governance committee that was established to ensure alignment of remuneration arrangements operated within BNY Mellon EMEA with local laws and regulations impacting on remuneration. The ERGC is responsible for ensuring that local BNY Mellon EMEA offices implement processes and practices that are consistent with the requirements of local regulators and also have oversight of the functioning and decisions taken by the Remuneration Committees of subsidiaries of BNY Mellon (excluding IM), which are incorporated within the EMEA region, with the exclusion of oversight over individual award decisions.

Incentive Compensation Review Committee ("ICRC") is the coordinating body of senior executives responsible for the oversight of the process to evaluate and recommend compensation reductions for all employees. These decisions are based on feedback regarding risk, compliance, audit and legal outcomes as well as situations of an employee engaged in fraud or directly or indirectly to have contributed to a financial restatement or other irregularity. The ICRC is a management-level committee that reports its recommendations to the HRCC. Ex ante adjustments are recommended by the employee's management for review and approval by the committee and ex post adjustments are formulated by the committee. The Chief Human Resources Officer chairs the committee supported by the Global Head of Compensation and Benefits. Voting members include the Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Chief Auditor, Chief Financial Officer and General Counsel.

BNY Mellon undergoes an annual attestation process to ensure that its remuneration practices comply with all local laws and regulations as well as best market practice. The implementation of BNY Mellon's remuneration policies is subject to an annual independent internal review by the internal audit function.

12.2 Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation scheme that supports its values, client focus, integrity, teamwork and excellence. We pay for performance, both at the individual and corporate level. We value individual and team contributions and rewards based on how both contribute to business results. In support of this philosophy, variable compensation is used as a means of recognising performance.

Through our compensation philosophy and principles, we align the interests of our employees and shareholders by encouraging actions that contribute to superior financial performance and long-term shareholder value; by rewarding success; and by ensuring that our incentive compensation arrangements do not encourage our employees to take unnecessary and excessive risks that threaten the value of BNY Mellon or benefit individual employees at the expense of shareholders or other stakeholders. Our compensation structure is comprised of an appropriate mix of fixed and variable compensation that is paid over time. We aim to ensure that both fixed and variable compensation are consistent with business and market practice, fixed compensation is sufficient to provide for a fully flexible variable compensation program, and variable compensation is in the form of annual and/or long-term incentives, and, where appropriate, granted over equity to align employee remuneration with that of shareholder growth.

12.3 Fixed remuneration

Fixed remuneration is composed of (i) salary, (ii) any additional non-performance related amounts paid as a result of contractual obligations or applicable law, or as a result of market practice, including role-based allowances, and (iii) any benefits in kind which are awarded as a result of the responsibilities of the job rather than the performance within the job.

The fixed remuneration of an employee is determined by the job performed, its level of complexity and responsibility, and the remuneration paid in the market for that type of job. It is set, for all staff, at a rate to be at all times sufficient to provide for full flexibility with regards to any variable remuneration element, including zero variable remuneration.

Employees who are directors of other BNY Mellon group entities are not remunerated separately in their capacity as a director of those entities. Independent directors of BNY Mellon only receive fixed remuneration, as disclosed in our annual Proxy Statement to shareholders.

12.4 Ratio between fixed and variable pay

In respect of remuneration and in line with Regulation 82 (1) (g) (ii) of S.I. No. 158 of 2014 and the European Union (Capital Requirements) Regulations 2014, the Bank of New York Mellon Corporation have approved an increase in the maximum ratio of variable to fixed pay from 100% to 200%. This increase was confirmed by the HRCC on 27 January 2014 on the grounds that the increased ratio would not affect the firm's ability to maintain a sound capital base and allows for appropriate incentivisation and reward in accordance with our Pay for Performance philosophy.

12.5 Variable compensation funding and risk adjustment

The employees of PSIL are eligible to be awarded variable compensation but have no entitlement to such awards which are discretionary in nature.

In general, the incentive pools for the business lines are based on the profitability of each business line, with the potential for adjustment by the COC on the basis of a number of factors, including risk management.

Typically, the line of business incentive plans are determined primarily based on pre-tax income, which is a profit rather than revenue based measure. The plans are subject to discretionary adjustment by the business head, COC and HRCC based on factors in assessing the earnings including (but not limited to) significant non-recurring activity, market conditions, interest and currency rates.

The incentive pools for the business partner groups are based on a management approved fixed pool, adjusted for a number of factors, including corporate performance and risk management.

Variable compensation may consist of both cash and equity and both upfront and deferred components and is determined by the functional hierarchy of the business or business partner service to which the individual staff member belongs, and in accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or business partner service.

For MRTs, the variable compensation portion of an award comprises four different parts: upfront cash, upfront equity, deferred cash and deferred equity, in order to comply with local regulations. The deferred compensation component awarded in the form of BNY Mellon restricted stock units aligns a portion of the variable compensation award with the management of longer-term business risk.

To ensure effective risk adjustment, BNY Mellon requires employees who receive variable remuneration awards (both upfront and deferred) to agree to forfeiture and clawback of such awards in the event of fraud, misconduct or actions contributing to the detriment of business interests, including competing with the business and soliciting employees or clients. Where required by regulations, awards to MRTs are subject to more stringent risk adjustment, including, but not limited to, forfeiture and clawback in the event of employee misbehaviour, material error, material downturn in business unit performance or a material failure of risk management.

12.6 Deferral policy and vesting criteria

For more senior-level employees, a portion of variable compensation will be deferred, under ordinary circumstances for a period of at least three years with vesting on an annual one-third basis (albeit such compensation may be deferred for longer periods and with a revised vesting schedule, and, for MRTs, in line with regulatory requirements), and will normally be subject to the employee remaining in employment until the deferred payment date (unless provided otherwise under national law). The deferred component of the variable compensation award is usually delivered as restricted stock units whose value is linked to BNY Mellon's share price. The percentage of the variable compensation award to be deferred depends on the level and responsibility of the individual's role (including if they are a MRT), regulatory requirements and the amount and value of the award.

12.7 Variable remuneration of control function staff

The variable compensation awarded to control function staff (for example: audit, compliance and risk) is dependent on performance that is assessed according to the achievement of objectives specific to their functional role that is independent of the activities they oversee. Remuneration is benchmarked against the market level and funded independently of individual business line results and adjusted based on BNY Mellon's overall annual financial performance.

12.8 Quantitative disclosures

Details of the aggregate remuneration of Material Risk Takers for PSIL for the year ending 31 December 2017 cannot be disclosed on the grounds of data confidentiality.

Appendix 1 Other Risks

Liquidity risk

Liquidity risk is the risk of not maintaining liquidity resources which are adequate, both as to the amount and quality, so there is no significant risk that PSIL's liabilities cannot be met as they fall due.

PSIL does not engage in proprietary trading activities or hold assets for resale on its balance sheet, and so does not have significant asset liquidity risk. PSIL's business model is of a transaction processing nature and dictates that PSIL maintains a prudent funding profile in order to supports its clients trade activities.

Liquidity risks can arise from funding mismatches, market constraints from the inability to convert assets to cash, meet Client Free Money ("CFM") withdrawals, or contingent liquidity events. Changes in economic conditions or exposure to credit, market, legal, operational and reputational risks also can affect PSIL's liquidity risk profile and are considered in the Liquidity Policy.

PSIL also manages a significant amount of CFM which is held at tier one third party banks under a trust status letter. Approximately 97% of its CFM at is maintained on an instant access basis or breakable term deposits maturing in less than one month and is, therefore, only subject to minimal liquidity risk.

PSIL utilises PLC direct participant in a number of settlement systems for settling trades. An important feature of this settlement process is the intra-day funding obligation for PLC for trade settlement on a Delivery verses Payment ("DvP") basis. Intra-day liquidity is provided by third party institutions via Standby Letters of Credit or Credit Lines. The withdrawal of the guarantee by BNY Mellon could cause the providers of the Standby Letters of Credit or intraday credit lines to withdrawal their support to the settlements and this would have a serious impact upon the continued functioning of the PSIL business. To this end PLC holds a Liquid Asset Buffer comprised of eligible UK Government Securities that, amongst other things, could be used to meet its settlement funding requirements. Further, a Contingency Funding Plan has been established by PLC Senior Management which sets out the strategy for managing liquidity in stressed conditions for PLC with the aim being to ensure it will continue to support client operational activities and to have sufficient liquidity resources to meet liabilities as they fall due.

Business and financial risk

Regulatory risk

Regulatory risk is defined as being the risk of legal or regulatory sanctions, financial loss or reputational damage caused by a failure to comply with regulatory requirements, internal policies or best practices. Regulatory and conduct risk may arise through a failure to comply with regulatory requirements and obligations, including the failure to act with integrity. PSIL's culture closely aligns with that of PLC and BNY Mellon which has a low regulatory risk threshold.

By operating within highly regulated jurisdictions, PSIL is exposed to a high level of regulatory and compliance risk. The changing regulatory environment, expansion of PSIL's business into new products and markets and the challenging economic climate all contribute to the increased regulatory risk that must be managed.

Securitisation risk

Securitisation risk is the risk that the capital resources held in respect of assets that PSIL has securitised is insufficient to cover associated liabilities. As at 31 December 2017 and during the reporting period PSIL did not have any securitisation risk-weighted exposure.

Strategic risk

PSIL is committed to maintaining a relevant business strategy that continues to meet the business requirements and needs of its clients and responds to the changing needs of the financial industry. PSIL Management has established a robust governance structure and oversight to seek to ensure that all business plans are designed and executed in a controlled and prudent manner.

The development of PSIL's business objectives are undertaken by the PSIL CEO, ExCo and approved by the Board.

Capital risk

PSIL is committed to ensuring that the firm is appropriately capitalised at all times and can continue to meet its settlement and clearing obligations and support its clients' current and developing business requirements. PSIL seeks to maintain a level of capital above regulatory requirements at all times and to ensure that it does not fall below the level approved by the Board.

Interest rate risk

Interest rate risk (IRR) is the risk associated with changes in interest rates that affect net interest income (NII) from interest-earning assets and interest-paying liabilities. IRR exposure in the non-trading book arises from on and off-balance sheet assets and liabilities and changes with movements in domestic and foreign interest rates. PSIL does not have any material exposure to interest rate risk in its non-trading book.

Residual risk

Residual risk may arise from the partial performance or failure of credit risk mitigation techniques for reasons, such as ineffective documentation, a delay in payment or the inability to realise collateral held by the underlying client in a timely manner.

Given the nature of PSIL's business, residual risk occurs only in respect of the right to use securities as collateral and the Credit and Market risk capital calculation, therefore, includes the potential impact of residual risk.

Concentration risk

Concentration risk is the risk of loss arising from significant interrelated asset or liability exposures, which in cases of distress associated with markets, sectors, countries, or areas of activity, may threaten the soundness of the institution. Traditionally analysed in relation to credit activities, concentration risk arises from exposures that may arise within or across different risk types, including intra-risk concentration where exposure concentration exists within a single risk type, and inter-risk concentrations arising from interactions between different risk exposures across different risk categories connected by a common risk factor (e.g. counterparties, vendor, economic sector, geographic region, and/or financial instrument/product type).

Group risk

Group risk is the risk that the financial position of PSIL may be adversely affected by its relationships (financial or non-financial) with other entities in the BNY Mellon group or by risk which may affect the financial position of the whole group, including reputational contagion. PSIL maintains appropriate oversight and ownership of all processes and activities outsourced to other group entities. Because group risk typically arises as a consequence of another risk event and, as such, PSIL considers group impact as part of its overall risk management process.

Model risk

Model risk refers to the possibility of unintended business outcomes arising from the design, implementation or use of models. Model risk includes the potential risk that management makes incorrect decisions based either upon incorrect model results, or incorrect understanding and use of model results. PSIL uses models in its risk management framework. All models have been assessed in line with the relevant corporate policies and model risk management framework.

Appendix 2 Glossary of Terms

The following terms are used in this document:

- **ALCO:** Asset and Liability Committee
- **Basel III:** The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision in 2010
- **BNY Mellon:** The Bank of New York Mellon Corporation
- **CRD IV:** On 27 June 2013, the European Commission published, through the Official Journal of the European Union, its legislation for a Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR), which together form the CRD IV package. Amendments published on 30 November 2013 were made to the Regulation. The package implements the Basel III reforms in addition to the inclusion of new proposals on sanctions for non-compliance with prudential rules, corporate governance and remuneration. CRD IV rules apply from 1 January 2014 onwards, with certain requirements set to be phased in
- **Capital Requirements Directive (CRD):** A capital adequacy legislative package issued by the European Commission and adopted by EU member states
- **Capital Requirements Regulation (CRR):** Regulation that is directly applicable to anyone in the European Union and is not transposed into national law
- **Central Bank of Ireland (CBI):** Responsible for the regulation of all financial services firms in Ireland
- **Common Equity Tier 1 capital:** The highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments
- **Core Tier 1 capital:** Called-up share capital and eligible reserves plus equity non-controlling interests, less intangible assets and other regulatory deductions
- **Credit risk mitigation (CRM):** A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection
- **Derivatives:** A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies
- **EMEA:** Europe, Middle-East and Africa region
- **Exposure:** A claim, contingent claim or position which carries a risk of financial loss
- **Exposure at default (EAD):** The amount expected to be outstanding, after any credit risk mitigation, if and when a counterparty defaults. EAD reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon
- **High Level Assessment (HLA):** An assessment of the quality of controls in place to mitigate risk and residual risk. Residual risk is assessed as high, moderate to high, moderate, moderate to low and low with direction anticipated
- **Institutions:** Under the Standardised Approach, institutions are classified as credit institutions or investment firms

- **Internal Capital Adequacy Assessment Process (ICAAP):** The group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints

- **Key Risk Indicator (KRI):** Key Risk Indicators are used by business lines to evaluate control effectiveness and residual risk within a business process

- **Pillar 3:** The part of Basel III that sets out information banks must disclose about their risks, the amount of capital required to absorb them and their approach to risk management. The aim is to encourage market discipline and improve the information made available to the market

- **Residual maturity:** The period outstanding from the reporting date to the maturity or end date of an exposure

- **Risk appetite:** A definition of the types and quantum of risks to which the firm wishes to be exposed

- **Risk and Control Self-Assessment (RCSA):** Risk and Control Self-Assessment is used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls

- **Risk Governance Framework:** PHUK Group's risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

  – Formal governance committees, with mandates and defined attendees

  – Clearly defined escalation processes, both informally (management lines) and formally (governance committees, board, etc.)

  – A clear business as usual process for identification, management and control of risks

  – Regular reporting of risk issues

- **Risk Weighted Assets (RWA):** Assets that are adjusted for their associated risks using weightings established in accordance with CRD IV requirements

- **Standardised Approach:** Method used to calculate credit risk capital requirements using the Basel III, CRD IV, CRR model supplied by the BCBS. All financial institutions must opt to either use the Standardised Approach (SA) specified by the regulator, or develop and use their own Internal Ratings Model (IRM). The SA model uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies

- **Tier 2 capital:** A component of regulatory capital under Basel III, mainly comprising qualifying subordinated loan capital, related non-controlling interests and eligible collective impairment allowances

Appendix 3 CRD IV Reference

CRR ref.	Requirement summary	Compliance ref.	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures	BNY Mellon publishes Pillar 3 disclosures	N/A
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information	N/A	N/A
431 (3)	Institutions shall adopt a formal policy to comply with the disclosure requirements	BNY Mellon has a dedicated Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2) (c), 437 and 450)	Refer to Pillar 3 policy	N/A
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected	Refer to Pillar 3 policy	N/A
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed	N/A	N/A
432 (4)	Paragraphs 1, 2 & 3 are without prejudice to the scope of the liability for failure to disclose material information	N/A	N/A
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, in conjunction with the date of the publication of the financial statements	Refer to Pillar 3 policy	N/A
Means of disclosure			
434 (1)	Institutions may determine the appropriate medium, location and means of verification to comply effectively	Single Pillar 3 disclosure	N/A
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate	Any cross-references to accounting or other disclosures are clearly signposted in this document	N/A
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies	Section 3 Risk Management Objectives and Policy	16
435 (1) (a)	Strategies and processes to manage those risks	Section 3 Risk Management Objectives and Policy	16
435 (1) (b)	Structure and organisation of the risk management function	Section 3.1 Risk Governance	18
435 (1) (c)	Scope and nature of risk reporting and measurement systems	Section 3 Risk Management Objectives and Policy	16
435 (1) (d)	Policies for hedging and mitigating risk	Section 3 Risk Management Objectives and Policy	16
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements	Section 3 Risk Management Objectives and Policy	16
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy	Section 3 Risk Management Objectives and Policy	16
435 (2) (a)	Number of directorships held by directors	Section 3.1.1 Board of Directors	18

CRR ref.	Requirement summary	Compliance ref.	Page ref.
435 (2) (b)	Recruitment policy of Board members, their experience and expertise	Section 3.1.1 Board of Directors	18
435 (2) (c)	Policy on diversity of Board membership and results against targets	Section 3.1.1 Board of Directors	18
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year	Section 3.1.3 Risk Committees	19
435 (2) (e)	Description of information flow on risk to Board	Section 3.1.3 Risk Committees	19
Scope of application			
436 (a)	The name of the institution to which the requirements of this Regulation apply	Section 1 Scope of Application	6
436 (b) 436 (b) (i) 436 (b) (ii) 436 (b) (iii) 436 (b) (iv)	Outline the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: fully consolidated; proportionally consolidated; deducted from own funds; neither consolidated nor deducted	Section 1 Scope of Application	6
436 (c)	Current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries	N/A	N/A
436 (d)	Aggregate amount by which the actual Own Funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries	N/A - Entities outside the scope of consolidation are appropriately capitalised	N/A
436 (e)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 & 9	N/A	N/A
Own funds			
437 (1)	Requirements regarding capital resources table	N/A	N/A
437 (1) (a)	Full reconciliation of Common Equity Tier 1 (CET1) items	N/A	N/A
437 (1) (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments	N/A	N/A
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments	N/A	N/A
437 (1) (d) (i) 437 (1) (d) (ii) 437 (1) (d) (iii)	Each prudent filter applied Each deduction made Items not deducted	N/A	N/A
437 (1) (e)	Description of all restrictions applied to the calculation of Own Funds	N/A - no restrictions apply	N/A
437 (1) (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds	N/A - Capital ratios calculated on basis stipulated in the Regulations	N/A
437 (2)	EBA to publish implementation standards for points above	BNYM follows the implementation standards	N/A
Capital requirements			
438 (a)	Summary of institution's approach to assessing adequacy of capital levels	Section 2 Capital Requirements	14
438 (b)	Result of ICAAP on demand from authorities	N/A	N/A
438 (c)	Capital requirement amounts for credit risk for each Standardised Approach exposure class	Table 3: Standardised credit exposure by exposure class	24

CRR ref.	Requirement summary	Compliance ref.	Page ref.
438 (d) 438 (d) (i) 438 (d) (ii) 438 (d) (iii) 438 (d) (iv)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class	N/A - internal ratings based approach is not used	N/A
438 (e)	Own funds requirements for market risk or settlement risk, or large exposures where they exceed limits	Table 2: Capital requirements and Section 9: Market Risk	14 & 38
438 (f)	Own funds amounts for operational risk, separately for the basic indicator approach, the standardised approach, and the advanced measurement approaches as applicable	Table 2: Capital requirements and Section 11: Operational Risk	14 & 40
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach	Table 2: Capital requirements	14
Exposure to counterparty credit risk (CCR)			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures	Section 7 Counterparty Credit Risk	34
439 (b)	Discussion of process to secure collateral and establishing reserves	Section 7 Counterparty Credit Risk	34
439 (c)	Discussion of management of wrong-way exposures	Section 7 Counterparty Credit Risk	34
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade	N/A - a credit ratings downgrade is managed at the BNYM Corp level	N/A
439 (e)	Derivation of net derivative credit exposure	Section 7 Counterparty Credit Risk	34
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods	Section 7 Counterparty Credit Risk	34
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure	N/A - BNYM does not have credit derivative transactions	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type	N/A - BNYM does not have credit derivative transactions	N/A
439 (i)	Estimate of alpha, if applicable	N/A	N/A
Capital buffers			
440 (1) (a)	Geographical distribution of relevant credit exposures	N/A	N/A
440 (1) (b)	Amount of the institution specific countercyclical capital buffer	N/A	N/A
440 (2)	EBA will issue technical implementation standards related to 440 (1)	N/A	N/A
Indicators of global systemic importance			
441 (1)	Disclosure of the indicators of global systemic importance	N/A	N/A
441 (2)	EBA will issue technical implementation standards related to 441 (1)	N/A	N/A
Credit risk adjustments			
442 (a)	Disclosure of bank's definitions of past due and impaired	Section 4.5 Analysis of Past Due and Impaired Exposures	26
442 (b)	Approaches for calculating credit risk adjustments	Section 4.5 Analysis of Past Due and Impaired Exposures	26

CRR ref.	Requirement summary	Compliance ref.	Page ref.
442 (c)	Disclosure of pre-CRM EAD by exposure class	Table 3: Standardised credit exposure by exposure class	24
442 (d)	Disclosures of pre-CRM EAD by geography and exposure class	Table 4: Standardised credit exposure by country	24
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class	Table 5: Standardised post mitigated credit exposures by counterparty type	25
442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class	Table 6: Standardised credit exposure by residual maturity	25
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type	Table 7: Credit quality of exposures by counterparty type	26
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography	Table 9: Credit quality of exposures by geographical breakdown	27
442 (i) 442 (i) (i) 442 (i) (ii) 442 (i) (iii) 442 (i) (iv) 442 (i) (v)	Reconciliation of changes in specific and general credit risk adjustments	Section 4.5 Analysis of Past Due and Impaired Exposures	26
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately	Section 4.5 Analysis of Past Due and Impaired Exposures	26
Unencumbered assets			
443	Disclosures on unencumbered assets	Section 8 Asset Encumbrance	36
Use of ECAIs			
444 (a)	Names of the ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes	Section 6 External Credit Assessment Institutions (ECAIs)	31
444 (b)	Exposure classes associated with each ECAI	Section 6 Table 12: Credit quality steps and risk weights	31
444 (c)	Explanation of the process for translating external ratings into credit quality steps	Section 6 Table 12: Credit quality steps and risk weights	31
444 (d)	Mapping of external rating to credit quality steps	Section 6 External Credit Assessment Institutions (ECAIs)	31
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step	Section 6 Table 11-13: External Credit Assessment Institutions (ECAIs)	31
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk	Section 9 Market Risk	38
Operational risk			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered	Section 11 Operational Risk	40
Exposure in equities not included in the trading book			
447 (a)	Differentiation of exposures based on objectives	Appendix 1 Settlement Risk: no non-trading book exposure in equities	44
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value	Appendix 1 Settlement Risk: no non-trading book exposure in equities	44
447 (c)	Types, nature and amounts of the relevant classes of equity exposures	Appendix 1 Settlement Risk: no non-trading book exposure in equities	44

CRR ref.	Requirement summary	Compliance ref.	Page ref.
447 (d)	Realised cumulative gains and losses on sales over the period	Appendix 1 Settlement Risk: no non-trading book exposure in equities	44
447 (e)	Total unrealised gains/losses, latent revaluation gains/losses, and amounts included within Tier 1 capital	Appendix 1 Settlement Risk: no non-trading book exposure in equities	44
Exposure to interest rate risk on positions not included in the trading book			
448 (a)	Nature of risk and key assumptions in measurement models	Section 10: The Bank has no significant Balance Sheet Interest Rate Risk	39
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency	N/A	N/A
Exposure to securitisation positions			
449	Exposure to securitisations positions	Appendix 1 Settlement Risk: no non-trading book exposure in equities	44
Remuneration disclosures			
450	Remuneration disclosure regarding remuneration policy and practices	Section 12 Remuneration Disclosure	41
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy	Section 12.1 Governance	41
450 (1) (b)	Information on link between pay and performance	Section 12.2 Aligning Pay with Performance	41
450 (1) (c)	Important design characteristics of the remuneration system	Section 12 Remuneration Disclosure	41
450 (1) (d)	Ratios between fixed and variable remuneration	Section 12.4 Ratio between Fixed and Variable Pay	42
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options and variable components of remuneration is based	Section 12.6 Deferral Policy and Vesting Criteria	43
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits	Section 12.7 Variable Remuneration of Control Function Staff	43
450 (1) (g)	Aggregate quantitative information on remuneration by business area	Not disclosed	N/A
450 (1) (h) 450 (1) (h) (i) 450 (1) (h) (ii) 450 (1) (h) (iii) 450 (1) (h) (iv) 450 (1) (h) (v) 450 (1) (h) (vi)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile	Not disclosed	N/A
450 (1) (i)	Number of individuals being remunerated €1 million or more per financial year	Not disclosed	N/A
450 (1) (j)	Total remuneration for each member of the management body upon demand from the Member State or competent authority	N/A	N/A
450 (2)	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information above shall be made available to the public at the level of members of the management body of the institution	N/A	N/A

CRR ref.	Requirement summary	Compliance ref.	Page ref.
Leverage			
451 (1) (a)	Leverage ratio	N/A	N/A
451 (1) (b)	Breakdown of total exposure measure	N/A	N/A
451 (1) (c)	Derecognised fiduciary items	N/A	N/A
451 (1) (d)	Description of the process used to manage the risk of excessive leverage	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio	N/A	N/A
451 (2)	EBA to publish implementation standards for points above	N/A	N/A
Use of the IRB approach to credit risk			
452	Risk-weighted exposure under the IRB approach	N/A	N/A
Use of credit risk mitigation techniques			
453 (a)	Use of on- and off-balance sheet netting	N/A	N/A
453 (b)	How collateral valuation is managed	Section 5.1 Collateral Valuation and Management	29
453 (c)	Description of types of collateral used	Section 5.3 Credit Risk Concentration	29
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness	N/A - BNYM's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures	Section 5.3 Credit Risk Concentration	29
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral	N/A	N/A
453 (g)	Exposures covered by guarantees or credit derivatives	Section 5.3 Table 10: Credit risk mitigation techniques - overview	30
Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk	N/A - Pillar 1 : standardized approach, Pillar 2 : self-assessment approach	N/A
Use of internal market risk models			
455	Institutions calculating their capital requirements using internal market risk models	N/A	N/A
Commission Implementing Regulation (EU) No 1423/2013			
Article 1	Specifies uniform templates for the purposes of disclosure	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements	N/A	N/A
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III)	N/A	N/A
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V)	N/A	N/A
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII)	N/A	N/A
Article 6	Entry into force from 31 March 2014	N/A	N/A

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